



**U.S. Department of Justice**

*United States Attorney  
Southern District of New York*

**FOR IMMEDIATE RELEASE  
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**UNITED STATES INTERVENES IN FALSE CLAIMS ACT LAWSUIT  
ALLEGING ILLEGAL MEDICAID PATIENT REFERRAL SCHEME  
AND SETTLES WITH CATSKILL REGIONAL MEDICAL CENTER**

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced today that on January 7, 2005, the Government intervened in an action commenced under the qui tam provisions of the False Claims Act by filing a civil complaint against CATSKILL REGIONAL MEDICAL CENTER ("CATSKILL REGIONAL"). Mr. Kelley also announced that, simultaneously with filing its Complaint, the Government entered into a settlement agreement resolving its claims against CATSKILL REGIONAL. While denying any wrongdoing in the settlement agreement, CATSKILL REGIONAL has agreed to pay the Government \$1.5 million over the next three years to settle the Government's False Claims Act claims against it.

United States District Judge KIMBA M. WOOD approved the settlement last Friday in Manhattan federal court.

The Government alleged in its Complaint that beginning in 1997, CATSKILL REGIONAL's predecessor, COMMUNITY GENERAL

HOSPITAL OF SULLIVAN COUNTY ("COMMUNITY GENERAL"), entered into an illegal patient referral scheme with another entity under the guise of an "administrative services agreement." Under this agreement, COMMUNITY GENERAL allegedly paid \$50,000 per month to the other entity to provide 22 separate administrative services to COMMUNITY GENERAL's alcohol and substance abuse treatment and detoxification facility in Harris, New York, including patient referrals. The Complaint alleged that other than patient referrals, the administrative services under the contract were not needed by COMMUNITY GENERAL, were not provided by the other entity, or were worthless. Thus, the administrative services agreement amounted to nothing more than a patient referral contract. Referral of patients for a fee violates the New York State Medicaid regulations and the state and federal anti-kickback statutes.

The Complaint further alleged that COMMUNITY GENERAL thereafter billed the Medicaid program for the treatment it provided to the illegally-referred patients. As alleged in the Complaint, the claims that COMMUNITY GENERAL presented to Medicaid were false or fraudulent in that COMMUNITY GENERAL certified to the Government that it had provided the services in compliance with all laws and regulations. Under the False Claims Act, there can be liability both for knowingly submitting false or fraudulent claims or for knowingly causing another to do so. According to the Complaint, from 1997 to 2000 COMMUNITY GENERAL

treated hundreds of illegally-referred patients, and thereby submitted or caused to be submitted hundreds of false claims to Medicaid.

In connection with the settlement, CATSKILL REGIONAL has also entered into a corporate integrity agreement with the Office of Inspector General of the Department of Health and Human Services, which is aimed at ensuring that CATSKILL REGIONAL's participation in the Federal health care programs is in conformity with the statutes, regulations and other directives applicable to those programs. Among other things, CATSKILL REGIONAL will implement a training program for its executives and employees that will advise them of the prohibitions of the state and federal anti-kickback statutes. CATSKILL REGIONAL will also implement a contractual review process that will ensure that its current and future contracts comply with the state and federal anti-kickback statutes.

Mr. KELLEY praised the investigative efforts of the Federal Bureau of Investigation and the Department of Defense Inspector General's Defense Criminal Investigative Service.

Assistant United States Attorneys RAMON E. REYES, JR. and ROBERT W. SADOWSKI are in charge of the case.

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